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SUBJECT: RURAL DEVELOPMENT IN INDIA: FROM CATTLE HERDING TO DATA ENTRY

¶1. SUMMARY: Local government and non-governmental organizations have established innovative rural development initiatives in the South Indian state of Tamil Nadu. An entrepreneurial district administrator has used pre-existing development funds to establish India's first-ever rural business process outsourcing (BPO) facility. The BPO gives rural youth employment alternatives that are normally associated with urban job markets while infusing capital into rural communities that have been reliant on traditional livelihoods. Moreover, departing from their default shoot-and-kill approach to the Maoists that are present in 70 villages in the district, the local authorities deliberately use the BPO jobs as a tool to inoculate vulnerable youth against Maoist ideology. In a separate and larger scale initiative, an NGO has helped organize rural women into a cooperative doing contract work for labor intensive manual tasks -- assembling watches, setting gems in jewelry, de-burring machined aircraft engine parts -- for a major Indian industrial house. Both initiatives are promising, but their sustainability depends on the interest of the local government and NGOs who provide critical mentoring and liaison with private sector clients. END SUMMARY.

Local Government Moves Young Farmers into Data Entry

¶2. On Monday April 7 Consulate staff met with Krishnagiri District Collector Santosh Babu, who has been instrumental in the creation of India's first rural BPO. Krishnigiri is a primarily rural district along Tamil Nadu's northwest border with Karnataka. Babu introduced the Fostering Technologies in Rural Areas (FosTeRA) when he began his tenure as district collector in 2006. Babu's program provides rural youth with training and employment in the BPO sector. Through FosTeRA's three-month training program, local youth learn data entry, typing, and computer skills, in addition to English language instruction. FosTeRA requires participants that can read and write, and most have completed at least their secondary education or have some classes in higher secondary education. Babu describes the program as a tool through which rural families can participate in India's economic growth. There are currently two FosTeRA centers in Krishnagiri, a training center and an outsourcing office, with plans to introduce at least three more into villages further afield.

¶3. Babu started FosTeRA using discretionary development funds made available to him by the central government. He said it cost \$50,000 to set up FosTeRA's first training center, adding that \$12,500 of the cost was paid to Microsoft for Vista licenses. (NOTE: Babu said that in the future he planned on seeking reduced price licenses offered by Microsoft. END NOTE.) Citing the availability of development funds for district collectors, Babu characterized the start-up cost as inconsequential: "money is not a problem." FosTeRA has also drawn support from local politicians. The district's Member of the Legislative Assembly (MLA) provided the funds required for the second FosTeRA training center. A council of government officials oversees FosTeRA's progress and has also been instrumental in identifying new areas for future training and employment centers. (Comment: According to Babu, the FosTeRA model does not need government assistance, however the willpower and

financial capacity behind the district's bureaucracy appears to be a driving factor in the initial success of the project. End Comment.)

Targeting the Program to Combat Maoist Influences

14. Krishnagiri district has a history of Maoist activity, and media reports about FosTeRA have described it as directed at keeping rural youth away from Maoist influences. Tamil Nadu, like the other states in South India, has traditionally focused on a shoot-and-kill approach to combating Maoists, so a livelihoods-focused approach to keeping Krishnagiri's youth from turning to Maoists represents a diversification in strategy. Babu said he regularly receives lists of vulnerable youth who should be considered for FosTeRA training from Krishnagiri's Superintendent of Police. The coordination with the police intelligence units allows district government to provide income and skills to idle youth who otherwise might be susceptible to Maoist ideology. During our visit to one of the FosTeRA centers the local program administrator identified two young men as having been specifically targeted for training because of their prior association with the Maoists.

Modern BPOs in Rural India

15. Consulate staff visited a training center and an employment center in the area to observe and interact with students. The training center, in a small village approximately 10 kilometers off of the national highway, is a recently converted building with approximately 40 workstations, two servers, and a battery providing six hours of backup power. The MLA who sponsored the building proudly noted it was one of the few buildings in the village with air conditioning. The center has around 40 male and female trainees, many of whom entered the program as farmers or housewives

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and began training late last year. These students are currently half-way through their training module and have shown marked improvements in their typing and communication skills, according to one of FosTeRA's directors. FosTeRA participants told Consulate staff they are excited by the employment opportunity the program provides them, and many told Consulate staff that they were not employed before they began the FosTeRA program.

16. Consulate staff also went to FosTeRA's first training center, which is now a fully operational BPO, in Sanasandhiram village just outside Hosur, about 20 miles from Bangalore in the neighboring state of Karnataka. The center is located in a former community center that was donated by the village and has been refurbished with workstations, a conference room, servers, and backup power supply. The project director highlighted the badge reader for access control and the LED projector used for training sessions. The center was established in 2007 and employs around 50 local youth from the surrounding area in two single-sex shifts, with plans to eventually introduce an overnight shift as well. There are about 500 families in the village, about ten percent of which have directly benefited from their son or daughter's participation in FosTeRA. The program's local director told us that the BPO's employees usually receive around 10,000 rupees per month (around 250 USD), which is markedly above the average income for rural India. According to one local shop owner, his business has improved by twenty percent since the FosTeRA operation began. Many of the center's employees we met were young women who still help their families care for cattle, the village's traditional livelihood. (Comment: By remaining in the village, FosTeRA's employees are able to maintain their familial ties and retain a sense of community that can often be lost when seeking employment in larger cities like Bangalore. End Comment.)

Former Farmers Do Allstate's Data Entry

17. After training, the FosTeRA participants do basic data entry, taking lists of information provided to them by U.S. insurance company Allstate and entering the information in Excel spreadsheets. Currently, FosTeRA provides BPO services to two U.S. companies:

Allstate and EDS. FosTeRA's director told us they are in negotiations with Yahoo for additional business. FosTeRA also provides some BPO services to the Krishnigiri district government as payment in kind for the government's initial support. The director acknowledged that currently they are capable of performing only the lowest level of BPO services -- basic data entry. According to Babu and his FosTeRA colleagues, FosTeRA's capacity and capability has grown exponentially in the last few months. They said when they began they were unable to meet the industry's speed and accuracy requirements, but they quickly ramped up their quality and are now competitive with other Indian BPOs. FosTeRA's director told us that the program's trainees have comparable skill sets and capabilities to employees of larger BPOs in Bangalore. But FosTeRA is not yet ready to enter the significantly more lucrative market for voice-based call center services due to the relatively poor English skills of the majority of their staff. FosTeRA's director said they would only pursue voice-based contracts if they could ensure the same standard of service expected of larger urban call centers. Based on our conversations with the FosTeRA staff at both centers, they are a long way away from being able to provide voice services.

18. FosTeRA's unique approach to providing technology based employment within the rural setting allows the program's participants to retain their ties to family while also improving the financial prospects of their villages. According to FosTeRA's program director, only two employees who received training through FosTeRA have left the village BPO for work in Bangalore. The director said that these former students are now interested in returning to the center because the high rental prices and comparable wages in the large city do not provide them with the same level of income generation.

NGO Catalyzes a Rural Manufacturing Success

19. Myrada, an NGO working in three South Indian states, also provides rural employment in the Krishnagiri district. Myrada runs employment and self-help projects aimed at women and children. According to M.C. Shivarudrappa, Myrada's local project coordinator in Krishnagiri, about 8,000 individuals are employed through the NGO's work in the district. Many of the women Myrada helps have no former training and little education, and the NGO is committed to helping them become self-reliant and confident members of their respective communities.

110. On April 8 consulate staff toured various workshops that are part of Meadow Enterprises, a stand-alone business that was established with the support of Myrada. Meadow is a sprawling operation on the outskirts of Hosur, a small town located approximately 20 miles from Bangalore. Shivarudrappa explained the long process by which Myrada helped incubate what ultimately became

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known as Meadow. He said Myrada began encouraging women in self-help groups (SHGs) it had helped organize to try to get into light contract manufacturing. After a couple of failed experiments, Myrada linked the SHGs with Titan Industries, India's largest watch making company (part of India's Tata Group), in 1998 to have the women assemble of metal link watchbands. Myrada provided an initial investment of about \$37,500 to pay for a location for the assembly work and training in the assembly process. Shivarudrappa said that Myrada did considerable handholding in the initial stages, with its professional staff helping the SHGs, which are made up of largely uneducated rural women, to interface with Titan and understand the company's requirements. But when the women showed a great deal of aptitude and appetite for the work, Titan gave them more. By 1998 the SHGs joined together to form a legal entity -- Meadow Enterprises -- which directly contracts with Titan. Meadow has been self-sufficient ever since, having paid Myrada back for the initial investment, and now actually employs Myrada's professional staff to assist them.

111. Over time Meadow has increased the range and complexity of the work they do for Titan well beyond the simple manual assembly of watch bands. They now do all of the manual aspects of Titan's watch

assembly, as well as setting gems for Titan's premium jewelry line "Tanishq." Meadow even has one workshop which helps de-burr and polish metal parts for Pratt and Whitney aircraft engines. Shivarudrappa explained that Meadow Enterprises now does approximately 25% of Titan's contract assembly work. Touring the various Meadow workshops we came away impressed by the women working there. They are all skilled and efficient at the detailed work required of the company's contracts and have high competency and completion rates, according to one of Meadow's floor managers. The workshops, though rustic (often located in converted houses), include sophisticated equipment such as presses, metal polishing machines, microscopes, and jewelry molds. In its shops that deal in high value items -- gold and gems for example -- Meadow takes internal controls seriously, even frisking our officers as we left the jewelry shop.

¶12. Meadow's success has translated into more than 300 high paying jobs for a primarily female workforce. Meadow staff earn up to 5,000 rupees (about 125 USD) per month for detailed jewelry work, watch-line assembly, and quality control. (Comment: The salary, which is low by U.S. standards, is actually quite generous for rural India. End Comment.) They also receive health insurance and retirement, benefits rarely afforded to rural women. Finally, Meadow employees receive a share of the company's profits at the end of each year.

Comment: Two Successful Models for Rural Development

¶13. Meadow and FosTeRA chart two very innovative and paths to the same goal: improving livelihoods in rural India. The paths are different, and the challenges to replicating and sustaining both models are substantial. FosTeRA is the brainchild of an unusually entrepreneurial Indian Administrative Service officer. We have not seen many like him, and it is hard to imagine other districts in India setting up FosTeRA-based projects without Santosh Babu's energy and vision. Moreover, FosTeRA's continued connection to government, with local government officials serving on its advisory board, make it susceptible to decline once the incumbent officers move on to new assignments as they inevitably will do. Babu openly expressed his anxiety about the project's prospects after his tenure ends. Meadow, on the other hand, is better off in terms of sustainability, as it has become an independent entity after its period of incubation under Myrada's care. The pride and care of the SHGs who operate Meadow made us believe that they are in business for the long-term. But Meadow may be difficult to replicate because of the level of commitment in terms of resources and time that Myrada's incubation approach requires.

¶14. Comment Continued: Regardless, the employees and trainees at both Meadow and FosTeRA are enthusiastic and proud of their work and the benefits it provides their families and community. The two models for rural employment we saw during our trip to Krishnagiri confirm that sustainable rural employment that provides goods and services to urban and international markets is feasible. But a personal commitment on the part of local governance or an NGO remains necessary for these projects to succeed. With that commitment, millions of rural Indians could be given the chance to take part in India's growth story with the added benefit of reducing the appeal of Maoist ideology. End Comment.

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